

Message Text

SECRET

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ACTION NEA-11

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S E C R E T SECTION 1 OF 2 NEW DELHI 7226

STADIS////////////////////////////////////

E.O. 11652: GDS
TAGS: MNUC, PARM, IN, US
SUBJECT: NON-PROLIFERATION STRATEGY: EMBASSY RECOMMENDATIONS

1. WE BELIEVE THAT THE JUNE VISIT OF PRIME MINISTER DESAI TO WASHINGTON MAY PROVIDE THE LAST SIGNIFICANT OPPORTUNITY FOR THE US AND INDIA TO MOVE OFF THE COLLISION COURSE TO WHICH OUR DIFFERING APPROACHES TO THE NON-PROLIFERATION ISSUE NOW SEEM TO BE LEADING US. THE RE-DIRECTION OF THAT COURSE WILL BE NO MEAN FEAT. WASHINGTON WILL BY NOW BE WELL AWARE OF THE HIGH EMOTIONAL PITCH THAT CONSIDERATION OF INDO-US NUCLEAR RELATIONS HAS REACHED HERE IN THE PAST FEW MONTHS, AND PARTICULARLY SINCE NRC CONSIDERATION OF XSNM-1060 BEGAN TO RECEIVE PROMINENT, ADVERSE REACTION IN THE INDIAN PARLIAMENT AND PRESS. THE SUSPICION OF US MOTIVES GENERATED BY THE COMMISSION AND THE GOI STATEMENTS ON FUTURE INDIAN COURSES OF ACTION PROVOKED BY THE LONG DELAY ON XSNM-1060 HAVE ADDED MAJOR DIFFICULTIES TO AN ALREADY TOUGH TASK.

2. WE THINK IT IMPORTANT THAT AT THE OUTSET OF THEIR DISCUSSION, THE PRESIDENT AGAIN DECLARE TOMORARJI HIS CONFIDENCE THAT THE ULTIMATE NUCLEAR NON-PROLIFERATION OBJECTIVES OF THE USG AND THE GOI ARE THE SAME. BOTH RECOGNIZE THE DANGER OF NUCLEAR WAR; BOTH FAVOR A HALT IN THE SPREAD OF NUCLEAR WEAPONS AND THEIR
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ULTIMATE EXTINCTION. THE TWO GOVTS DIFFER IN THE APPROACH TO BE TAKEN TO MEET THIS COMMON GOAL. THEY BELIEVE THAT THEIR DIFFERENCES ARE MATTERS WHICH REASONABLE MEN CAN DISCUSS CANDIDLY, AND IT IS THIS SPIRIT WHICH HAS INFORMED THE CORRESPONDENCE AND CONVERSATIONS THE PRESIDENT AND THE P HAVE HAD ON THE SUBJECT. AT THE SAME TIME, THE PRESIDENT SHOULD STATE THAT HE RECOGNIZES THAT IT MAY EVENTUALLY NOT PROVE POSSIBLE TO BRIDGE THE GAP BE-

TWEEN OUR DIFFERING POINTS OF VIEW ON HOW TO ACHIEVE OUR SHARED OBJECTIVE. AGAINST THAT POSSIBILITY AND WHILE THE LARGER ISSUE REMAINS UNRESOLVED, WE BELIEVE THAT HE SHOULD PROPOSE TO MORARJI THAT THE TWO SIDES SIT DOWN AND NEGOTIATE TOWARD MORE PROXIMATE GOALS.

3. WE BELIEVE THAT SUCH A CANDID OPENING WOULD HELP CREATE THE RIGHT ATMOSPHERE IN WHICH OUR RECOMMENDED STRATEGY WOULD HAVE THE BEST CHANCE OF SUCCEEDING. THE MAIN THRUST OF THIS STRATEGY IS TO MAKE USE OF THE REMAINDER OF THE 18-MONTH PERIOD BEFORE NO FURTHER INDIAN APPLICATIONS CAN BE CONSIDERED (IN THE ABSENCE OF ACCEPTANCE OF FULL-SCOPE SAFEGUARDS) TO NEGOTIATE WITH THE GOI ON ATTAINING SPECIFIC TARAPUR-RELATED NON-PROLIFERATION GOALS. THIS APPROACH KEEPS OPEN THE POSSIBILITY THAT THE GOI WILL DURING THIS PERIOD BE PERSUADED BY THE PROGRESS ATTAINED IN THE SALT AND CTB NEGOTIATIONS TO ACCEPT FULL-SCOPE SAFEGUARDS. HOWEVER, PROSPECTS AT THIS TIME FOR AN EARLY RESOLUTION OF OUR MAJOR DIFFERENCES SEEM OUT HERE TO BE VIRTUALLY ZERO. THE STRONG SENTIMENT THAT THE SAFEGUARDS ISSUE HAS NOW AROUSED HERE, THE FURTHER PROVISIONS THE PM APPEARS TO HAVE ADDED TO HIS CONDITIONS FOR INDIAN ACCEPTANCE, AND WHAT WE UNDERSTAND TO BE THE STATUS OF THE SALT AND CTB NEGOTIATIONS SUGGEST THIS CONCLUSION IN ANY EVENT, THE PM BELIEVES HE HAS SPELLED OUT HIS CONDITIONS, AND, AS THE BRITISH HIGH COMMISSIONER'S RECENT APPROACH HAS DEMONSTRATED, ANY EFFORT TO GET THE INDIANS TO DEFINE THEM FURTHER IS ONLY LIKELY TO MAKE THEIR ATTAINMENT EVEN MORE DIFFICULT.

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CULT. WE BELIEVE THAT IN DISCUSSING FULL-SCOPE SAFEGUARDS WE SHOULD CONFINE OURSELVES TO MENTIONING TO THE INDIANS THE PROGRESS WE HAVE MADE TOWARD ATTAINING THEIR STATED CONDITIONS (IF WE CAN APPROPRIATELY DO SO IN LIGHT OF THE SALT AND CTB NEGOTIATIONS). BUT OUR MAJOR EFFORT SHOULD BE FOCUSED ON WINNING THE GOI TO ACCEPT IN NEGOTIATIONS LIMITED GOALS DESIGNED TO PROTECT THE TAPS FACILITY AND ITS SPENT FUEL FROM BECOMING PROLIFERATION HAZARDS.

4. WE BELIEVE THAT IF WE ARE TO HAVE ANY CHANCE OF SUCCEEDING IN THESE NEGOTIATIONS THE PRESIDENT MUST DETERMINE TO DO THE BEST HE CAN TO CONTINUE FUEL SUPPLIES DURING THE INTERIM PERIOD, BEGINNING WITH A RECOMMENDATION TO THE NRC THAT THE COMMISSION APPROVE THE NOVEMBER 1977 APPLICATION (XSNM-1222) FOR ADDITIONAL URANIUM. THE INDIANS SHOULD BE MADE AWARE THAT THE EXECUTIVE'S ABILITY TO KEEP FUEL COMING WILL OBVIOUSLY BE INFLUENCED BY THE PROGRESS OF OUR NEGOTIATIONS WITH THEM.

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5. THE NEGOTIATIONS WE FORESEE WOULD BE IN THE CONTEXT OF THE
RENEGOTIATIONS CALLED FOR BY THE 1978 NON-PROLIFERATION ACT.
THE ARAS FOR NEGOTIATIONS WOULD BE:
(1) CONTINUED SAFEGUARDS OVER TAPS AND TAPS FUEL,
(2) A GOI UNDERTAKING NOT TO REPROCESS SPENT TAPS FUEL WITHOUT
PRIOR TUSG APPROVAL,
(3) BUY-BACK AS PERHAPS THE MOST FEASIBLE MEANS TO DEAL WITH
THE PROBLEMS POSED BY BOTH OF THE FOREGOING,AND
(4)A REASSERTION OF THE INDIAN UNDERTAKINGS NOT TO CONDUCT FURTHER
NUCLEAR EXPLOSIONS OR TO EXPORT DANGEROUS NUCLEAR TECHNOLOGY.
THREE OF THESE SUBJECTS CORRESPOND TO THE THREE SECTION 127
CRITERIA MENTIONED BY THE DISSENTING NRC COMMISSIONERS IN THEIR CON-
CLUSIONS ON XSNM-1060.

6. ASIDE FROM THE RENEWAL OF THE NO-PNE PLEDGE, WHICH WE WOULD
EXPECT THE GOI WILL READILY GIVE, WE BELIEVE THAT THE BEST PROS-
PECT FOR SUCCESS IN ENSUING NEGOTIATIONS WOULD BE ON BUY-BACK.
WE THINK THAT DESPITE THE UNDERSTANDABLE RELUCATANCE OF VELLODI
TO GIVE AN UNDERTAKING TONYE LAST MONTH, THE GOI WOULD BE QUITE
PREPARED TO SELL US THE ACCUMULATED SPENT FUEL. (WE ARE NOT,
HOWEVER, AS CERTAIN AS COMMISSIONER KENNEDY THAT ARTICLE VIII OF
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THE 1963 AGREEMENT OBLIGES THE GOI TO RETURN THE SPENT FUEL
TO THE USG AT US REQUEST. IT STRIKES US THAT HE HAS TAKEN OUT
OF CONTEXT THE SENTENCE WHICH PROVIDES FOR THIS.) WE MUST
OBVIOUSLY BE PREPARED OURSELVES TO BUY BACK THE FUEL, SOMETHING

WHICH HAS CAUSED DIFFICULTIES IN THE PAST. SHIPMENT WILL TAKE TIME, AND WE CAN EXPECT CONSIDERABLE NEGOTIATION OVER TERMS. WE WOULD, OF COURSE, HAVE TO INSIST ON CONTINUED SAFEGUARDS DURING THE LONG PERIOD BEFORE THE FINAL SHIPMENT OF SPENT FUEL LEAVES INDIA. WE WOULD EXPECT THE INDIANS WOULD BE AGREEABLE TO THIS PROVIDED THE OTHER TERMS OF THE BUY-BACK COULD BE AGREED TO.

7. BECAUSE IT HAS BEEN SO HIGHLY POLITICIZED, AN UNDERTAKING BY THE GOI TO AGREE TO A BAN IN PERPETUITY ON REPROCESSING OF SPENT US-SUPPLIED TAPS FUEL IS MOST UNLIKELY. THIS IS TRUE DESPITE SETHNA'S AWARENESS THAT (NEWSPAPER ACCOUNTS TO THE CONTRARY) HE HAS NO REAL USE WITHIN THE NEXT FIVE YEARS FOR THE PLUTONIUM WHICH WOULD BE DERIVED. HE VIEWS REPROCESSING PRIMARILY AS AS A SPENT FUEL MANAGEMENT AND DISPOSAL MATTER, AND WOULD THUS BE MORE AMENABLE TO ACCEPTING A PROPOSAL FOR A FIVE-YEAR BAN ON REPROCESSING OF US-FUEL, WITH RERACKING TO COVER THE INTERIM PERIOD. BUT EVEN THIS MAY BE DIFFICULT TO SELL GIVEN AROUSED PUBLIC OPINION. THE NEED FOR BARRING REPROCESSING OF SPENT FUEL SHOULD THE AGREEMENT LAPSE WOULD IN ANY EVENT BE UNNECESSARY SHOULD THE BUY-BACK AGREEMENT BE SUCCESSFULLY NEGOTIATED.

8. THE PM'S OWN STATEMENT IN PARLIAMENT ALSO MAKE IT DIFFICULT FOR THE GOI TO ACCEPT CONTINUANCE OF SAFEGUARDS. HE RECENTLY INDICATED, MOREOVER, THAT UNTIL THE USG BREAKS THE AGREEMENT, HE WOULD BE UNWILLING TO CONSIDER THIS MATTER. WE SHOULD PERSIST NEVERTHELESS. WE COULD EXPECT GIVEN THE TERMS OF THE LONDON SUPPLIERS' AGREEMENT THAT SHOULD THE GOI LOCATE AN ALTERNATE SUPPLIER, THAT SUPPLIER WOULD ALSO INSIST ON IAEA SFEGUARDS OVER
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TAPS. WE ARE CONFIDENT THAT THE GOI WOULD BE PREPARED TO ACCEPT THESE.

9. AN ADDITIONAL AREA FOR NEGOTIATION COULD BE A LIMITED EXTENSION OF IAEA SAFEGUARDS TO ONE OR MORE NEW INDIAN NUCLEAR FACILITIES IN EXCHANGE FOR US HEAVY ATER. OUR UNDERTAKING SUCH NEGOTIATIONS WOULD DEPEND ON THE REACTION OF THE INDIANS TO THE APPROACH WE HAVE PROPOSED THAT COURTNEY MAKE TO SETHNA ON THIS ISSUE.

10. WE BELIEVE THAT THE STRATEGY WE HAVE RECOMMENDED IS FULLY CONSISTENT WITH OUR BROADER NON-PROLIFERATION POLICY AND GOES AT LEAST PART WAY IN MEETING OUR NON-PROLIFERATION GOALS IN INDIA. IT ALSO OFFERS IN OUR VIEW THE ONLY FEASIBLE WAY OF KEEPING THE DOOR OPEN TO FUTURE RESOLUTION OF OUR MORE FUNDAMENTAL DIFFERENCES WITH INDIA ON THE GLOBAL NON-PROLIFERATION ISSUE. IF SUCCESSFUL, IT PREPARES THE WAY, SHOULD THAT PROVE NECESSARY, FOR THE TERMINATION OF INDO-US NUCLEAR COOPERATION. MOST IMPORTANT, IT DOES SO IN A WAY WHICH SHOULD CAUSE SUCH A DISENGAGEMENT TO DO THE LEAST DAMAGE TO THE BROADER INDO-US RELATIONSHIP WE

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